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on, 1952/53

SESSION 1952-53

THE SENATE OF CANADA

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Proceedings of the STANDING COMMITTEE ON

CANADIAN TRADE RELATIONS

in respect to the inquiry into what, in their opinion, might be
the most practical steps to further implement Article 2
of the North Atlantic Treaty.

No. 3

WEDNESDAY, APRIL 22, 1953.

The Honourable A. N. McLEAN, Chairman

WITNESSES

Mr. D. P. Cruikshank, President, Canadian Council,
International Chamber of Commerce.

Mr. J. G. Nelles, General Manager, Canadian Council,
International Chamber of Commerce.

Dr. D. B. Marsh, Economist, Royal Bank of Canada.

CANADIAN TRADE RELATIONS

The Honourable A. N. McLEAN, *Chairman*

The Honourable Senators:

Baird	Duffus	McDonald
Bishop	Euler	McKeen
Blais	Fraser	McLean
Buchanan	Gouin	Nicol
Burchill	*Haig	Paterson
Campbell	Howard	Petten
Crerar	Hushion	Pirie
Daigle	Kinley	*Robertson
Davies	Lambert	Turgeon
Dennis	MacKinnon	Vaillancourt—(30)
Dessureault	MacLennan	

35 Members—(Quorum 7)

*Ex officio member

ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate, Thursday, February 26, 1953:

"That the Standing Committee on Canadian Trade Relations be empowered to enquire into and report on—

1. What, in their opinion, might be the most practical steps to further implement Article 2 of the North Atlantic Treaty whereby the signatories to that document agreed that—"They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them".

2. That notwithstanding the generality of the foregoing, the Committee be instructed and empowered to consider and report upon how, in their opinion,

(a) any project for developing economic collaboration, specifically between the countries who are signatories to the North Atlantic Treaty, can be co-ordinated with the trade policies of other countries of the free world;

(b) any project for developing economic collaboration between the countries which are signatories of the North Atlantic Treaty, might have the same degree of permanence that is contemplated in the twenty year Military obligation under Article 5 of the Treaty whereby "The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all".

3. That the Committee be empowered to extend an invitation to those wishing to be heard, including representatives of agriculture, industry, labour, trade, finance and consumers, to present their views, and that the Committee also be empowered to hear representations from business interests or individuals from any of the NATO countries who might wish to be heard.

4. That the Committee be empowered to send for persons, papers, and records, and to secure such services as may be necessary for the purpose of the enquiry.

L. C. MOYER,
Clerk of the Senate."

MINUTES OF PROCEEDINGS

WEDNESDAY, April 22, 1953.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators: McLean, Chairman; Bishop, Burchill, Campbell, Crerar, Euler, Hushion, Lambert, McDonald, Paterson, Pirie and Turgeon—12.

Consideration of the order of reference of February 26, 1953, was resumed.

The following were heard:—

Mr. D. P. Cruikshank, President, Canadian Council, International Chamber of Commerce.

Mr. J. G. Nelles, General Manager, Canadian Council, International Chamber of Commerce.

Dr. D. B. Marsh, Economist, Royal Bank of Canada.

Further consideration of the order of reference was postponed.

At 12.15 p.m. the Committee adjourned until tomorrow, Thursday, April 23, 1953, at 10.30 a.m.

ATTEST.

JOHN A. HINDS,
Assistant Chief Clerk of Committees.

MINUTES OF EVIDENCE

THE SENATE,

OTTAWA, Wednesday, April 22, 1953.

The Standing Committee on Canadian Trade Relations which was empowered to inquire into and report upon the development of trade between countries signatory to the North Atlantic Treaty, and with other countries of the free world, met this day at 10.30 a.m.

Hon Mr. McLEAN in the Chair.

The CHAIRMAN: Honourable members, I will call the meeting to order. This is the third meeting, as we all know, of the Canadian Trade Relations Committee since reference was made to us of a resolution introduced in the Senate on February 12 and, after considerable debate, was passed, and referred to us on February 26.

We have already heard the resolution read several times, and I think everybody is familiar with it.

We are highly honoured this morning to have with us representatives from the International Chamber of Commerce, Mr. D. P. Cruikshank, President of the Canadian Council, Mr. J. G. Nelles, General Manager, Mr. Carl Bergithon, Assistant to the General Manager, and Dr. D. B. Marsh, an Economist with The Royal Bank of Canada.

I am very glad to call on Mr. D. P. Cruikshank, the President of the Canadian Council of The International Chamber of Commerce, whom I understand has a brief, and if it is the will of the Committee, I will now ask Mr. Cruikshank to present his brief.

Mr. D. P. CRUIKSHANK: Mr. Chairman, and honourable gentlemen, Members of the Standing Committee of the Senate on Canadian Trade Relations, I just want to say this will be rather long, and if you would rather that I did not read it, please say so.

On behalf of the Canadian Council of the International Chamber of Commerce I should like to thank the members of this Committee for the opportunity to present the views of the International Chamber, "with respect to this general question," as your letter of February 26th, 1953, stated, "of increased multilateral trade between the nations of the free world, which is of such vital importance today." As the leading international private organization comprising all types of business, industry and commerce, the International Chamber has been particularly concerned with the question of multilateral trade for some thirty-four years since its founding in Paris, France, in 1919. The Chamber now has national sections or committees in some 30 countries, and the Canadian Council, which was established in 1945, is very pleased indeed to commend the initiative of Senator McLean and his Committee in focusing attention in Canada on the general problem of world trade.

At the outset, I should like to say that in presenting our views to the Committee we did not feel that it was necessary to review the statistical position of world trade today and its accompanying balance of payments, with the relationship of Canada thereto, as such figures will be as readily available to the Committee here in Ottawa as they are to our own group. We have also not attempted to outline the nature and scope of the various international governmental organizations dealing with the problem, such as the International Monetary Fund, the International Bank, the General Agreement on Tariffs and

Trade, etc., as the Committee will have such information close at hand and may have the advice of numerous government officers who have been connected with actual operation of such bodies. The International Chamber, I may add, has also an official connection with the United Nations through its status as a non-governmental consultant in "Category A" to the Economic and Social Council.

What we propose to do this morning is to draw your attention to some of the more recent policy statements of the International Chamber of Commerce, which I feel might be helpful to your Committee in the broader consideration of steps which Canada might take to improve trade relations. In doing so I would like to emphasize that the statements of policy to which I shall refer represent the considered opinion of prominent businessmen in many countries. While the Canadian Council has not as yet participated fully in all the detailed international committee work which has led up to the various Resolutions of the Chamber, its representatives have attended its biennial Congresses abroad and many of its committee meetings and, as a consequence, we have accepted in principle the general thesis underlying all the International Chamber of Commerce's policy, namely, that of more liberalized world trade with an expanding volume of imports as well as exports, the reduction of special restrictions and formalities to a minimum, the free convertibility of currencies, the creation of a favorable atmosphere to foreign investment in capital-importing countries and the retention of trade in private hands.

With regard to the Committee's desire to study improved trading relations with the countries signatory to the Atlantic Pact, we would submit that the adoption of the International Chamber's principles and recommendations by such countries would indeed improve their economic relations, but the problems besetting world trade today can only be solved by the adoption of such principles by all trading nations.

I. Convertibility of Currencies

The International Chamber of Commerce takes a fairly optimistic view of the question of re-establishing convertibility of currencies, which today essentially means that all currencies of the free world should be readily convertible into U.S. dollars. A Committee of the I.C.C. Commission on Commercial and Monetary Policy recently examined the question of how to provide, in case of need, facilities for countries whose monetary reserves are insufficient to bear the immediate impact of a free exchange market. This approach was based on the assumption that even though the establishment of free exchange markets might be possible now, there would likely arise temporary payment difficulties, and means would have to be established to tide individual countries over such short-term periods.

The International Chamber of Commerce has consistently taken the attitude that a primary requisite to the re-establishment of the convertibility of currencies was the creation of internal financial stability, that is to say, a reduction in deficit financing, a general steering away from inflationary policies and the establishment of internal price stability. The International Chamber of Commerce has felt that it must be realized that a country's domestic policy has a direct bearing on that country's balance of payments situation. In this connection the Report of the Sub-Committee which was published in February of this year states: "The re-establishment of convertibility is not a goal in itself but will result naturally from the restoration of general internal equilibrium in the individual countries and, when undertaken with sufficient safeguards, it will at the same time help in eliminating the danger of recurrent crises and in restoring monetary confidence, thus contributing to a recovery in savings and an expansion of productive investment."

The International Chamber of Commerce takes the view that a number of countries have gone a long way in re-establishing internal stability but that a number of problems still stand in the way of effective working of convertibility.

One factor is that in many countries public expenditure still remains very high, in some, as much as 35 to 45 per cent of the national income, for such purposes as government-controlled investment in housing, welfare, nationalized industries, etc. Not only is such public expenditure apt to leave budget deficits but it imposes a very high tax burden with the result that, in the words of the Report, "The spirit of enterprise is deadened, costs are increased and the flow of savings is reduced."

Another difficulty, of course, is presented by the restrictions and barriers which impede the flow of world trade and here I would like to quote the Report at greater length:

In the first place, there are the restrictions imposed with greater or less justification for balance-of-payments reasons by countries which have found themselves in particularly difficult situations. During the transition period they have been able to resort to trade restrictions, more especially as emergency measures; in administration there is, in fact, a tendency to consider the immediate rather than the ultimate effects. It has, however, been found again and again that a reduction in imports has not led to a contraction in spending but has just caused money to be diverted to the home market, thus bringing about an increase in purchases of domestic goods and services, so that fewer of these have been available for export. Moreover, no country can really know the true value of its currency as long as it maintains severe import restrictions which impede the normal functioning of markets. The return to convertibility without a freeing of trade would be a mere sham, and there is no reason to suppose that this fundamental fact has not been realized: an abundant flow of trade and an adequate degree of economic freedom represent the only foundation upon which a sounder currency can be built.

But the restrictions imposed for monetary purposes which grew up during the war are not the only hindrance to the flow of trade; there are also the long-standing tariff-barriers, among which, of course, the U.S. tariff is of particular importance as far as the convertibility of foreign currencies into dollars is concerned. Fortunately, opinion in the United States—including that of important industrial circles—is beginning to demand substantial reductions in the existing duties and to realize the extreme importance for a creditor nation to accept the goods and services of other countries. Any other course would be tragedy. The amount of aid granted has brought it home to the average American that it may be more to his advantage to permit the entry of goods from abroad than to go on subsidizing other countries. It should no longer be possible for anybody to fail to recognize the common sense behind the slogan "trade instead of aid".

The Report of the International Chamber of Commerce's subcommittee on monetary reserves and convertibility, created by its Commission on Commercial and Monetary Policy, then considers the need for increased monetary reserves and some of the difficulties which a return to convertibility might have in its wake when gold and dollar reserves are barely adequate. As the Report says, "If reserves are slender every difficulty is likely to turn into a crisis." In the period of transition from a controlled to a free system in payments and foreign trade temporary deficits may have to be covered. Once convertibility has been re-established it is important that continuous liquidity be maintained in order to avoid a recurrence of the situation in 1931, when, after most countries had

returned to the gold exchange standard by 1929 and monetary confidence was restored in nearly all countries, a few weeks of crisis in short-term credits sufficed to upset the exchange stability which had been achieved gradually in the previous decade.

The Committee recognized the institutions which exist for maintaining stability in the international monetary reserves, mentioning particularly the European Payments Union which operates as part of the Organization for European Economic Co-operation program and the International Monetary Fund as well as the International Bank for Reconstruction and Development. The International Chamber of Commerce Committee, however, questions whether it will suffice to rely upon the means possessed by these institutions particularly as the International Monetary Fund "has still to show in what way it can effectively use the \$3.0 billion in gold and dollars which it has at its disposal."

In the Report of the subcommittee which has been adopted by the International Chamber of Commerce Council it is proposed as a further step to strengthen the international liquidity position that convertibility funds be established in the financially strong countries. Such convertibility funds would serve the purpose of increasing international liquidity as required to buttress the newly-freed exchange markets and provide for countries seeking to achieve convertibility the means of action in case of future temporary difficulties.

With regard to these proposed convertibility funds in financially strong countries the Report says:

These funds should be authorized to undertake appropriate transactions and in each case sufficient safeguards must be designed to ensure that the country granted facilities by the Convertibility Funds will take all the necessary steps promptly to restore its internal and external balance. The activities of the various Funds which are established must be duly coördinated.

A precedent for such cooperation may be found in the functioning of the Tripartite Agreement which came into being in the autumn of 1936 upon the issue of simultaneous declarations by the Governments of France, Great Britain and the United States, who were subsequently joined by three other governments.

The Tripartite Agreement, never formally terminated, provided valuable experience which may well be given careful consideration in conjunction with any action directed towards the re-establishment of currency convertibility. Convertibility will necessarily mean convertibility into dollars and, once it is established, it will be equally in the interest of countries outside the United States and in that of the United States itself to ensure that it is maintained. Experience has shown that, in addition to the steps taken in the internal economy of the individual countries, special measures must be adopted to safeguard the international liquidity position in times of exceptional stress.

In this newly to be established system of Convertibility Funds the role to be played by the United States is, of course, particularly important. It may be recalled that in 1934 the U.S. established a Stabilization Fund of \$2 billion, now largely utilized. Under present circumstances, with commodity prices more than doubled, the volume of international transactions greatly increased, and the number of countries to whom credits might be granted substantially larger, this figure would have to be appropriately increased. As in the case of the Tripartite Agreement, the Fund established by each country would remain under its exclusive control.

The creation of such Funds should not be regarded merely as a means of rendering financial assistance to other countries; it is in the interest of the financially strong countries themselves to have liquid resources

available in case of need. There is no doubt that one of the reasons for the intensity of the depression of the 1930's was the additional complication of the liquidity crisis of 1931. It should not be forgotten that the losses suffered in particular by the economy of the United States owing to the extreme severity of the great depression have been estimated at something like \$200 billion (at the prices prevailing at the beginning of the 1930's, which were lower than those ruling at present).

Should it be decided in the near future or at a later date—in the event, for instance, of a deflationary fall in prices—to increase the world price of gold (as provided in the Articles of Agreement of the International Monetary Fund), then part of the revaluation profits would probably in any case be used to provide resources for Convertibility Funds. In the absence of a change in the gold price, it would seem appropriate to finance the proposed Funds by allocations of specially created government securities, such as that made in the 1930's in Great Britain and the Netherlands.

The effectiveness with which these Funds will create confidence in the various currencies of the western world will depend to a very considerable degree upon their size; for the very knowledge that there are substantial resources which may be called upon in case of need will have a reassuring influence.

To sum up, the attitude of the International Chamber of Commerce on the convertibility of currencies is as follows:

- (a) That the present balance of payments position presents an opportunity for decisive measures to be taken towards convertibility.
- (b) That for countries working their way back to convertibility the primary requisite is the restoration and maintenance of their internal financial stability.
- (c) That as soon as the reserve position makes it possible, effective foreign exchange markets be re-established under which a pattern of rates can be reached which corresponds to economic realities.
- (d) That countries with convertible currencies and ample reserves should,
 - (1) Liberalize their trade. There can be no hope of a restoration and maintenance of convertibility without a lowering of trade barriers resulting in an expansion of world trade. The creditor nations have a special responsibility in this respect.
 - (2) Establish convertibility funds sufficiently large to ensure the revival of confidence. The convertibility funds would serve the purpose of increasing international liquidity, which is needed not only to buttress the newly freed exchange markets but also to provide countries seeking to achieve convertibility with the necessary means of action in case of future temporary difficulties from which the world is never safe. These funds should be authorized to undertake appropriate transactions, and in each case sufficient safeguards must be designed to ensure that the country granted facilities by the convertibility funds will take all the necessary steps promptly to restore its internal and external balance. The activities of the various funds which are established must be duly coordinated.
 - (3) *Take other measures to relieve the foreign exchange markets* An example of this would be the willingness of a creditor government to accept payment in the currency of the other

country. The sums thus received could be applied by the recipient to constructive economic projects either in the debtor country or elsewhere which would tend to relieve the pressure for additional budgetary operations for foreign expenditures. In this way the demand for scarce currencies on world markets would be reduced.

II. *Foreign Investment As It Affects Balance Of Payment And Trade*

The living standards of the world depend on the volume of international trade. In addition to free exchange of goods and services, however, there should also be a free flow of capital investment. This question is tied closely to that of the convertibility of currencies. Just as the exchange of goods cannot prosper under trade restrictions and foreign exchange control, the movement of capital funds is hampered by the absence of free exchange markets. A much freer movement of capital than exists today would not only aid the volume of trade but would also tend to stabilize the balance of payments situation, provided flight of capital was prevented.

The importance of capital movements to the balance of payments situation has been amply demonstrated in the case of Canada itself. Canada, however, has enjoyed a unique position in the post-war years with regard to the investment of foreign capital in its industry and resources. Other countries have been less fortunate. The bulk of capital investment in foreign countries since World War II has been for government or inter-governmental account.

The kind and degree of economic development which countries are seeking to achieve today cannot take place without a big expansion of international private investments. A recent statement by the International Chamber of Commerce Council makes this observation and adds:

Government funds are not suitable for that purpose and are, moreover, unlikely to be sufficient. Private investment alone has the dynamic and realistic qualities required by giving full scope to individual inventiveness, enterprise and risk-taking. Direct business investment, for instance, represents the best possible combination of capital, technology and management.

There are undoubtedly fields of development in which government funds have an essential role to play. But government financing should not be allowed to encroach upon areas which can best be served by private capital and enterprise. Nor can countries that fail to take the proper measures to attract and protect private investments expect to receive government funds as a substitute for private capital.

As a means of promoting the flow of private investments to countries requiring foreign capital for the development of their resources, the International Chamber of Commerce has drawn up an "International Code of Fair Treatment for Foreign Investments", which takes the form of an agreement for signature between governments and describes the conditions which would create a favourable climate for the greater flow of investment funds. The International Chamber of Commerce Code has already been submitted to all member governments of the United Nations and is believed to have exercised considerable influence. This Code is published in the International Chamber of Commerce's Brochure No. 129, copies of which we are placing in the hands of your Chairman for the information of the Committee.

In brief, the Code, or Draft Treaty, provides that the parties thereto shall adopt legislation within their respective countries providing for fair treatment of foreign capital, including respect for contractual obligations, compensation in case of nationalization and arrangements enabling profits derived

from the investment of such foreign capital to be transferred to the country of origin. The Chamber believes that the capital importing country should treat foreign investments on the same favourable basis as investments made by its own nationals.

III. *Simplification of Trade Formalities*

The International Chamber of Commerce's Committee on Formalities in International Trade has worked assiduously over a long period of time towards the simplification of trade formalities. The work of the International Chamber of Commerce in this regard has met with considerable response from national governments.

The 34 governments being the Contracting Parties to the General Agreement on Tariffs and Trade at their 7th Session in November, 1952, adopted two sets of recommendations with regard to trade formalities and approved the text of an International Convention to Facilitate the Importation of Samples and Advertising Material, all of which were based on submissions made by the International Chamber of Commerce.

The first set of recommendations calls for the abolition of all consular formalities (consular invoices and visas) as soon as possible and, in any case, by the end of 1956, and a sharp reduction of consular fees and formalities during the interim period. The second aims at cutting down to the strict minimum the number of documents required by the customs authorities for the entry of goods. The Convention on Commercial Samples and Advertising Material was opened for signature by governments on February 1st, 1953.

In response to a resolution of the Council of the International Chamber of Commerce on "sanctity of contracts" the Contracting Parties of GATT also issued a recommendation calling upon all the signatory governments to make every effort to permit the fulfilment of bona fide contracts concluded before the imposition or intensification of quantitative restrictions.

The Contracting Parties have also decided to investigate two other subjects proposed for study by the International Chamber of Commerce, namely, customs valuation under Article VII of GATT and administrative regulations concerning the nationality of goods.

IV. *State Trading*

The International Chamber of Commerce has consistently opposed the intervention of governments in international trade. At its XIth Congress in Montreux, Switzerland, in June, 1947, the International Chamber of Commerce adopted a resolution on: "The Merchant's Role in International Trade" which declared that,

The International Chamber of Commerce is of opinion that bulk buying by governments, as a method of ensuring supplies from abroad, is frequently both uneconomic and unsuccessful, fails to stimulate increased world production of the commodity in short supply, leads almost inevitably to collective selling by the producers of the commodities involved and, by introducing politics into business, creates international tension.

The Chamber urges that the functions of purchasing should return as soon as possible to the recognized trade channels and to Exchanges, which have acquired a detailed and expert knowledge of the various markets over a long period of trading, and which provide facilities essential to industry and commerce.

The Canadian Council of the International Chamber fully subscribes to the above resolution and particularly draws the attention of the Committee to the last paragraph of the resolution which urges that the functions of

purchasing should return as soon as possible to the recognized trade channels and to free exchanges. We strongly believe that the open market, where private traders may buy and sell in accordance with their needs, is the only satisfactory means of reflecting the actual supply and demand of commodities entering into international trade and hence of establishing realistic world prices.

In conclusion, the Canadian Council commends to this Committee of the Senate the above-mentioned views of the International Chamber of Commerce and trusts that they may be of assistance to them in seeking solutions to the many problems that surround the present flow of trade between nations.

The CHAIRMAN: Thank you very much, Mr. Cruikshank.

Mr. CRUIKSHANK: I am sorry it has been so long, but it does express our views.

The CHAIRMAN: Honourable members, the meeting is now open for questioning, if any honourable member wishes to question Mr. Cruikshank. There is a great deal of meat in what he has said.

Hon. Mr. TURGEON: Mr. Chairman, may I ask a question?

The CHAIRMAN: Certainly.

Hon. Mr. TURGEON: In your recommendation for freer trade, Mr. Cruikshank, do you include any steps which would be dangerous to any particular local interests?

Mr. CRUIKSHANK: The recommendation for what, Senator Turgeon?

Hon. Mr. TURGEON: For freer trade, and greater imports? Do you provide any caution against injury to an industry which is carrying on business under difficult conditions?

Mr. CRUIKSHANK: I do not think it has ever come up. Perhaps Mr. Nelles could answer that better than I.

Mr. NELLES: I think it was considered, Mr. Chairman, but the recommendation was in general terms. I think that each individual country, when negotiating such an agreement, would no doubt look after certain interests. It has been the hope of the Chamber that any sectional interest would not wreck the general framework under which world trade is to be liberalized.

Hon. Mr. PATERSON: Mr. Chairman, is not this whole discussion just on the fringe? The meat and heart of the whole thing is the standard of living in the various countries. May I give you an illustration. I can buy trout flies in Vancouver for twenty-four for \$1.00, tied in Japan. The shipping going through the Panama Canal is largely Norwegian or Greek. Why? Because their standard of living is so low, that they can afford to carry that trade. Are we not all afraid of foreign competition? Would it not create unemployment, if we allow the Japanese, who will work for fifty cents a day, to compete with men in our own industries?

The meat of the nut is the standard of living in this country, and in the United States they are doing their best to build up the standard of living in foreign countries, but it will be a long process.

Hon. Mr. CRERAR: That is a very difficult point, Mr. Chairman. It does seem to me that low-priced goods will tend to improve the standard of living, rather than reducing it. If I can buy a suit of clothes, for instance, from Japan twenty per cent cheaper than I can buy it in Canada, I have a sort of vague idea Mr. Chairman, that helps my standard of living. It is true that may be the means of the dislocation of some labour, but through these artificialities, very often we direct labour into the wrong channels, and into the wrong places. If there is any virtue in the proposition very admirably outlined in this brief, the increase in world trade—the general expansion of trade—will promote general wellbeing. I do not know about this Japanese business. I

know we sell the Japaneste barley, we sell the Japanese wheat, we sell them lumber, and probably newsprint, and many other things. Just how would we be able to do that if we refused to accept their goods?

Hon. Mr. PATERSON: You do not want your local tailor to be on relief, do you?

Hon. Mr. CRERAR: No. I think in theory, if we carry it out logically, we would be creating tariff barriers every time industry was threatened to be in trouble.

I recall back twenty-five or thirty years ago when the Western farmers were on the march, and were wanting free agricultural implements, and it was held in many places that such a thing would promote unemployment, and would penalize our Canadian implement industry, and general chaos would result.

Well, the duties were taken off agricultural implements. It is true there may have been a little readjustment necessary. But what has followed? We have an agricultural implement industry in Canada today that is on a more sound basis than it ever was in its history.

I think, if we are in earnest about seeking the expansion of world trade, we are getting to the point where we must have currency convertibility, which can only come through an expansion of world trade, solidly based, and I think we have to do some thinking about that, Mr. Chairman.

The CHAIRMAN: I think there is a great deal in what you say, Senator Crerar. The world is divided today. We have the iron curtain sphere of influence, and we have the free world sphere of influence, and if the nations of the free world have barriers placed around them, we will wreck the free world situation completely. In regard to the NATO nations; it is not a question of whether they are going to do anything or not; they are going to do it. They will have to do a certain amount of exploring, and how are we going to do it? If there are too restrictive clauses, it may fall into the hands of the vested interests, and then there are too many jobs, and high-powered executives, who will become a part of the routine of the nation.

When these were put on, it was to meet a temporary crisis, but that crisis has gone on from year to year, and I think our position here is, as a fact-finding body, that we explore the conditions.

Going back to the remark by Senator Paterson, in regard to the foreign shipping; is not their capital investment very low? I think some of the ships would sell for a song.

Hon. Mr. PATERSON: That is quite true, but it is their wages which keep them afloat now.

The CHAIRMAN: I notice, in regard to the NATO nations, they would like to do some shipping, but it is in the Act that the freight must be carried in American vessels. That is a point of grievance with these other nations—rightly or wrongly.

I noticed in the Press a suggestion that we should get more shipping. There is no question but what we could carry our purchases home. I know the shipping question is very important, and I have given a great deal of thought to it, because we have high living standards in both Canada and the United States, and as regards the shipping, we are paying more than double the wages. That makes it very difficult.

Hon. Mr. PATERSON: Senator Campbell was showing me some figures yesterday. I wonder if he would care to comment on them.

The CHAIRMAN: I have had several talks with Senator Campbell, and he has given this matter a great deal of thought. Perhaps he would like to say a word.

Hon. Mr. CAMPBELL: I think it would be better if you got the evidence from the witnesses who are here.

In regard to this question of shipping; there is a tremendous differential between the cost of Canadian shipping, and that of other countries. The difference between the cost of operating a ten thousand ton Canadian vessel as compared, for instance, with a Norwegian vessel, is about \$350 a day.

Hon. Mr. BURCHILL: In favour of whom?

Hon. Mr. CAMPBELL: In favour of the Norwegians. It is the cost to the Canadian shipping of around eight hundred dollars, as against a cost of about five hundred dollars to the Norwegians. The Italian vessels are even lower in cost, and also the German.

The CHAIRMAN: Apart from the capital cost?

Hon. Mr. CAMPBELL: That is purely for operation, provisions, fuel, wages and maintenance.

Hon. Mr. PATERSON: Do not forget the Japanese are even lower.

Hon. Mr. CAMPBELL: They will be lower undoubtedly. However, on the other hand, the operation of a Norwegian vessel is far superior to the British, the United States and the Canadian. A company in which I am interested charters Norwegian vessels in order to carry on business. I have been on these vessels and the interest the crews take in the maintenance of their vessels is most encouraging to see. They will do repairs afloat, which the crews of Canadian vessels would not think of doing. I do not think it is so much the difference in the standard of living as it is in the customs of the country. The Norwegians go to sea, and take pride in their work, and are willing to work at lower costs. But there is that differential. I would like to ask Mr. Cruikshank a question, if I may.

The CHAIRMAN: Certainly, Senator Campbell.

Hon. Mr. CAMPBELL: On page 7 you sum up the views of the International Chamber of Commerce in regard to the convertibility of currency, and then in paragraph 3, on page eight, you suggest that countries or creditor governments should be willing to take the currency of the other countries. Is that not what we are doing, in effect, by insuring foreign creditors, and insuring shipments of goods abroad—in the final analysis?

The CHAIRMAN: I think, Senator Campbell, it is that these goods are sold for Canadian currency. We take probably greater risks in selling them.

Hon. Mr. CAMPBELL: Where you have a method of insuring, and a country fails to pay, what is the remedy in that case for governments which stand behind these shipments? Has it not been considered at all, Mr. Cruikshank, by your Chamber of Commerce?

Mr. CRUIKSHANK: It is paid in Canadian currency, and if there is a loan in a foreign country, you are paid back in Canadian currency.

Hon. Mr. CAMPBELL: As far as the payment of the shipment is concerned, that is paid for in Canadian currency?

Mr. CRUIKSHANK: Yes.

Hon. Mr. CAMPBELL: What does the government get?

The CHAIRMAN: You have to go through quite a routine to ship that way. If the Canadian government paid a few thousand dollars—for instance, the Chinese ships which were sold, the Canadian government paid the bank three million or four million dollars, or whatever the amount was. Probably we gave it in the wrong place, in that connection.

Hon. Mr. CAMPBELL: A great deal of this discussion is theory and opinions. When you get down to the practical method of doing things, for instance, a shipment of goods to Brazil; there is no doubt today but that Brazil is having great difficulty in finding dollars to buy goods, and many people now have refused to send goods to Brazil, because they do not think they will be paid.

What I am saying is that the first practical step which Canada has taken is in the method of insuring any of these creditors and foreign countries, where you have a weak currency situation, or an uncertain political situation. Do you think more can be done by the Government of Canada agreeing to accept foreign currency, than they can by insuring in this way, and if so, what happens when they do get this foreign currency?

The CHAIRMAN: May I answer that, Senator Campbell?

Hon. Mr. CAMPBELL: I would rather the Witness would answer it, Mr. Chairman. After all, the International Chamber of Commerce has been studying these questions.

Mr. NELLES: Mr. Chairman, actually, while we do not come down to specific situations, the policy of the Chamber has been to try and draft practical rules and Codes of conduct for use by governments, in the hope that such situations would be straightened out. That is the reason for this Code of Fair Treatment for Foreign Investments. If the governments would adopt the Code and follow it to the letter, some of these difficult problems would be solved. But I do not think the Chamber of Commerce, nor any other organization, can foresee all the possibilities of what you might call "unmoral conduct" on the part of foreign nations. You cannot safeguard against all contingencies. But if the governments would adopt such Codes, and follow them through, we would not get into some of the difficulties in which we find ourselves today.

I might add a word to Senator Campbell's remark about tariffs and about shipping from the Far East. The Chamber has never suggested all tariffs should be withdrawn at one fell swoop, but trade must be liberalized progressively through governmental action and by carrying out their agreements in good faith. Certainly we have all kinds of standards of living in the world which affect our own industries, but primarily the Committee considered within its Terms of Reference the NATO countries.

We have been working largely with the countries of the western world in mind, and it has always been a problem, and will be for some time, that the low standard of living—in Japan and China—may force us to maintain a certain protection until their standard of living has come up somewhat closer to ours.

But the liberalization of trade and the institution of arrangements for converting funds are inter-dependent, and if these are carried out by governmental action with good will, and following the rules to which they agree, these things would be much nearer solution.

The United States has subscribed to this—at least it has not been officially adopted by the Senate—to this agreement on tariff and trade, but, nevertheless, the United States has been operating under it, but because of certain pressures in the United States, the rules have not been followed in the United States. There is nothing the Chamber, nor any other organization can do to force the American government to act in perhaps a better manner in respect to these obligations.

Hon. Mr. BURCHILL: We are interested in that question, too. I am thinking of our trade relations with Great Britain, particularly; I mean, our governmental trade relations. The Canadian Government loaned Great Britain a certain amount of Canadian currency for goods to be purchased in Canada. By arrangement the U.K. Government makes payments on that in Canadian dollars at the present time?

The CHAIRMAN: Yes, I understand they do.

Hon. Mr. BURCHILL: I thought of that in this way; I am just theorizing, but if the Canadian Government was willing to accept British currency—

pounds instead of Canadian dollars—for that alone, and, as you suggest, make investments in Great Britain with the money they receive, would not that be something you had in mind?

Mr. NELLES: Yes. With the operation of this plan, you would be able to transfer currency.

Hon. Mr. BURCHILL: And that would relieve the pressure of Canadian dollars in Great Britain.

Hon. Mr. CAMPBELL: That does not accomplish a single thing. If you sell to Great Britain, and take sterling, and then turn around and spend that sterling in Great Britain, and buy goods or services, you are back to your starting point again.

The CHAIRMAN: Senator Campbell, we do not have to necessarily spend it in Great Britain. It might be spent in South Africa, or Australia. I was discussing this with a gentleman in Jamaica a few weeks ago. They were starting the erection of a large hotel. They need hotels and playgrounds in Jamaica, and require a couple of million dollars, and there will be many Canadian and American subscribers to that fund. I spoke about that, and was told that any capital invested in Jamaica could be withdrawn at any time, that dividends and interest could be withdrawn, and it was absolutely free. In how many parts of the British Empire is there no exchange? You know the English pounds are not exchanged, nor the Australian pounds, and you know what the Russians did; they went out and bought the whole crop with British pounds.

Hon. Mr. CAMPBELL: I would like to hear the witness on that. The point is, what advantage do you get by the Government taking foreign currency, if you are going to spend it again, and I do not care where you spend it? The only advantage you have is by way of insurance, by which when the shipment of goods is finally made to a country which is unable to pay, then there is a domestic situation created in that country, and their currency is accepted, frozen and held by the country. Can you explain where there is any advantage in accepting Sterling and pounds, and then the next day spending it in Australia, or any place else?

Hon. Mr. CRERAR: Before the witness answers that, there seems to be a very important point raised by Senator Campbell. Let us take as an example one million bushels of wheat. Quite obviously our private traders in the ordinary procedure in regard to grain would not accept, as a condition of the contract, that they take payment in sterling for the one million bushels of wheat, for the reason that they paid in dollars for the wheat when they bought it originally. If the Canadian Government says, "We will sell one million bushels of wheat, and take sterling", then the Canadian Government must find the dollars to pay the farmers who produced the wheat, because they cannot say to a producer, "Here is so much sterling", because sterling is of no use to the producers.

Does it not boil down to this; if we take sterling for a million bushels of wheat, the Canadian Government has to provide the dollars, in the first instance, to get the wheat, and they accumulate the sterling, and what will they do with the sterling in the future? They may say, "All right, we will invest the equivalent of one million bushels of wheat in Britain, in some industry", but that boils down to this; that the Canadian Government is going to make a loan to Britain for that amount. That is the way I see it, and that is the point I think Senator Campbell had in mind, and I think it would be interesting if this group could have some elucidation of it if we can get it.

Hon. Mr. CAMPBELL: That would be interesting.

Mr. CRUIKSHANK: We have an economist here, Dr. Marsh, who might have a word to say.

Dr. MARSH: Mr. Chairman, I would say that any acceptance of sterling in return for Canadian exports would be *de facto* a loan. There is no doubt about that. I agree with what Senator Crerar has said. I think that the mere spending of that sterling in Great Britain need not put us back where we were before. It is exchanging our wheat for machinery, or whatever it may be, from Great Britain. That does not put us back where we were. It would facilitate the exchange of goods and services between nations. If we took the sterling temporarily, and spent it the next day, so much the better; if we took sterling and did not spend it, so much the worse. We have the contingency of goods and services, with the loan coming to us sometimes in the future. We cannot get the loan back, unless we take some goods in exchange for the sterling. I think that is the essence of the plan, and you would facilitate the exchange of goods and services.

I admit at once that taking sterling is a loan, and if you invest that in Great Britain, you are switching from one type of loan to another. Maybe that is a good thing to do, and maybe it is not. However, that is what it is. It might pay off.

Hon. Mr. CAMPBELL: May I make a comment on that statement? By doing that, you are doing exactly the same thing as you are doing by selling wheat to the United Kingdom for dollars, and spending the dollars in Britain.

Dr. MARSH: Oh, yes, quite.

Hon. Mr. CAMPBELL: That is why I do not understand why an effort to prevent that is not important.

Dr. MARSH: If you can sell it for sterling and spend the sterling, you do not have to have the dollars.

Hon. Mr. CAMPBELL: You cannot buy anything in Britain for sterling.

Hon. Mr. TURGEON: In connection with the discussion we are having about government intervention, and the exchange of currency, and the taking of payment in pounds; as Senator Crerar pointed out, it would have to be the government itself which would take the payment in pounds, and pay the Canadian exporters in dollars.

There is a paragraph in the brief with which I am very strongly in agreement, but I realize it would take some time to carry it out. I would like to know if there is not some conflict of thinking in regard to the Canadian Government taking pounds, and paying the Canadian exporters in dollars.

The statement on page 11, under heading No. IV, "State Trading" reads:

The International Chamber of Commerce has consistently opposed the intervention of governments in international trade.

With the recommendation:

At the XIth Congress in Montreux, Switzerland, in June, 1947, the International Chamber of Commerce adopted a resolution on: "The Merchant's Role in International Trade" which declared that,

The International Chamber of Commerce is of opinion that bulk buying by governments, as a method of ensuring supplies from abroad, is frequently both uneconomic and unsuccessful, fails to stimulate increased world production of the commodity in short supply, leads almost inevitably to collective selling by the producers of the commodities involved and, by introducing politics into business, creates international tension.

The Chamber urges that the functions of purchasing should return as soon as possible to the recognized trade channels and to Exchanges, which have acquired a detailed and expert knowledge of the various markets over a long period of trading, and which provide facilities essential to industry and commerce.

Can we exchange the currency? I am all for the convertibility of currency. Can it be brought about by the Canadian Government accepting for trade purposes the Sterling, and paying in Canadian currency, and can that be reconciled with the recommendation made in 1947 and assented to here today, for putting a finality to government intervention in state trading? I am strongly in favour of governments, as soon as possible, getting out of the state trade, but can the two be reconciled?

Mr. NELLES: In the course of time, yes. If you had a free exchange market, whereby exchange could move freely, there would be no reason for the Government being in the picture as it is today.

Hon. Mr. TURGEON: If I were an exporter, sending wheat or something to Great Britain, and the Government took payment in pounds, and gave me the money in dollars, and that was continued for any length of time, would that bring about state trade? It might assist in the convertibility of currency, but if it did not, by itself, bring about the convertibility of currency, I think it would merely perpetuate state trade, rather than end it.

Mr. NELLES: It could do, I think, under those circumstances.

The CHAIRMAN: I think Senator Turgeon, you will find that the Government has always showed these reserves and if you sell on a foreign market, you have these short term credits, and when you get the money to pay for the goods, you go to the Bank of Canada, and exchange the currency. As Governor Towers told us, we lost eighty million dollars of American reserves on account of the American exchange going down. We have Sterling as representing the purchasing power of the British Empire. I think it would be but a short time before, we lost ten million dollars or twelve million dollars, as it were, by holding up their reserves, for private banks who pay you for the goods you shipped.

Hon. Mr. PATERSON: To make it clear to me, what does "convertibility" mean? Supposing, as Senator Crerar says, we sell one million bushels of wheat and get sterling, say, one million pounds. What you maintain is that we could immediately convert that one million pounds into Canadian dollars.

The CHAIRMAN: That is right.

Hon. Mr. PATERSON: Who guarantees it? The Canadian Government takes the onus of guaranteeing those pounds as being good?

The CHAIRMAN: Unless we are free to hand it back to private enterprise, as Mr. Cruikshank says. I think he is suggesting that it be handed back to private enterprise. Then we take our own risks.

Hon. Mr. PATERSON: Would you take the pounds now?

The CHAIRMAN: No, because the Bank of Canada does not recognize them.

Hon. Mr. PATERSON: Then the Government has to guarantee them?

The CHAIRMAN: They guarantee only what they hold in their own reserve; not what you and I hold. We take a risk with American currency. Private traders match their brains against each other, when it is handed back to private enterprise, and not against the government which sits down at a table and changes the value of the currency over night.

Hon. Mr. CRERAR: Using wheat again as an illustration; we take payment for the one million bushels of what is Sterling. We have then, say, one million pounds of sterling, by way of illustration. Quite obviously we cannot pay the transport companies in Canada, nor the producers of wheat in pounds, because they are of no use to them. The Canadian Government then might say, "Well, we have got this one million pounds; we will go in and buy one million pounds worth of rubber from say, Malaya, which is in the sterling area, and we dispose of the one million pounds, and get the equivalent in rubber". But that does not help, as far as Britain is concerned. It is not converted in the real meaning

of the term, because Britain lost the equivalent of what she would get if the one million pounds were converted into dollars. What is the remedy? I suggest that the remedy is for Britain to put herself in a position, if necessary, by lowering the standard of living, working longer hours, and at lower rates of pay, to produce chiefly what she can export to other markets. There is then an obligation on us to accept British goods, and we should not let tariff barriers stand in the way of that.

When we remove the tariff barrier on textiles, for instance, where they are still very high, we help Britain to earn dollars, but in that way we may dislocate some of our existing industries, and that is something from which we shrink. We say we are going to maintain the standard of living; we are going to maintain the scale of wages in the textile industry, and we will maintain the hours of work in the textile industry, and so we have to bar British goods and in that way prevent Britain earning dollars with which to pay for our wheat.

It seems to me a very complicated question, but like most complicated questions, if you reduce them to their principles, you will find it may not be quite so complicated.

Hon. Mr. LAMBERT: Senator Crerar used the illustration of textiles. Do you think, in the last five years, had there been a very low tariff, even on textiles coming into this country from Great Britain, it would have made very much difference in the price at which these textiles were being sold in this country?

My point is this: that the spread between the price and the cost of the textiles, compared with the ones the Canadians make, or any other country makes was so much against the British product in the matter of price, that people could not afford to buy them? So that really the trade factors, and the tariff factors have very little to do with it.

I do not want to elaborate too much on this, but it has been quite noticeable to anyone who has had the opportunity of observing high-priced buying centres like, for instance, Atlantic City, or the West Indian Island of Nassau. There the British goods have sold at prices which were never approached in this country. We know that the policy of Britain in selling their goods has been to sell them to the high-priced centres in order to earn dollars from areas where people do not care much about what they pay, as long as they get the kind of article they want. I think that factor has had a very great deal to do with the falling off of purchases of British goods in this country. In other words, it is up to the British themselves to redress that balance and have a market here.

Hon Mr. CRERAR: I do not quarrel with that statement at all.

Hon. Mr. LAMBERT: The factor in this question is the quality of the dollars and pounds.

Hon. Mr. CRERAR: The effect it has on the value of the dollar—

Hon. Mr. LAMBERT: Which was inflated, yes.

Hon. Mr. CRERAR: Yes. And attempted to maintain the usual hours of work and the high standard of living, which has kept the price of goods so high that they could not get into the market. I do not think we helped them any in that. They said they would develop high quality goods of a certain character to sell at high prices, and that is what Senator Lambert was referring to.

Hon. Mr. PATERSON: Apropos of spending one million dollars on Peruvian rubber or Malayan rubber; how about the automobiles or the steel filing cabinets which they ship over here? Would that help the situation any? That is to increase trade.

Hon. Mr. CRERAR: Let us assume that they would. The competition with English filing cabinets, and, shall we say, English electrical equipment might make it difficult for similar Canadian industries to meet that competition. We can take the United States, as a good illustration. The other day they received a tender for the building of a big Hydro Electric power plant in a western state from Britain, which was lower than the domestic tenders, but, fearing the effect it might have on some American industry, they turned down the cheaper bid and accepted the higher one.

Hon. Mr. CAMPBELL: We have a witness here who has had a good deal of experience in these matters, and has been associated with the Chamber of Commerce for a number of years, in which these studies have been made, and I would like to hear a little more from him, and ask him one or two questions.

One of the questions is this: if, in the studies the Chamber has made, it feels that the convertibility of sterling is one of the prerequisites of the establishment of free trade?

Mr. CRUIKSHANK: The converting of all monies; not especially sterling?

Hon. Mr. CAMPBELL: Do they grade it? Do they feel that the first effort should be concerned with sterling?

Mr. CRUIKSHANK: Not especially.

Hon. Mr. CAMPBELL: That has never been a topic for discussion?

Mr. CRUIKSHANK: No.

Hon. Mr. CAMPBELL: So it would be a complete trade without the artificial barrier of controlled currency?

Mr. CRUIKSHANK: That is right.

Hon. Mr. CAMPBELL: Have any of the countries expressed an opinion as to when they are likely to be feasible propositions?

The CHAIRMAN: They are very indefinite.

Mr. NELLES: Mr. Chairman, in so far as the programme we suggest on this convertibility is concerned; it is a programme of action. Each country can undertake to go ahead with it. The Committee which drew this up was a Committee of business representatives from fifteen different countries, and they were trying to seek at least some answers to the present problem, and suggested a programme of action which could be laid down and agreed upon.

Hon. Mr. TURGEON: Is Great Britain one of those countries?

Mr. NELLES: Yes.

Hon. Mr. TURGEON: And the United States?

Mr. NELLES: Yes.

Hon. Mr. CAMPBELL: We all agree that is a desirable thing to achieve, but in the discussions in this meeting, what were the chief difficulties in the way of accomplishing the desired end?

Mr. NELLES: The chief difficulty is the policy of national governments. I might add that the directors or members of the Canadian Council have not been at every one of these Committee meetings, so when you asked "Has this been discussed" I do not think we can say "Yes, in all cases". I can assure you the factors concerning the problems have been discussed at one time or another. Some of the meetings are held in Paris, and some in New York, and so unfortunately it has been difficult to always ensure that the Canadian representatives would be there. But whether we are there or not, we usually receive a draft of the material discussed.

Hon. Mr. CRERAR: Mr. Chairman, may I ask the witness which, in his opinion, comes first; the convertibility of currency, or the removal of restrictions on trade?

Mr. CRUIKSHANK: I would say the removal of restrictions on trade.

Hon. Mr. CRERAR: I agree.

Hon. Mr. CAMPBELL: What do you think we could do to remove the restrictions on trade?

Mr. CRUIKSHANK: That matter has been going through my mind. I was in New York last week at a meeting, and I was interested in a discussion held there. The National Association of Manufacturers of the United States is all for lower tariffs; the national section of the International Chamber of Commerce in the United States has found a great deal of propaganda, which is going on in Washington, against the maintenance of the high-tariff structure. I think they acknowledged that Mr. Eisenhower will go along for another year with the old agreement, but it is a question whether that will go through. We all hope it will. I am afraid Canada is in a bad position, if we are still going to be hampered by high tariffs in the United States.

Hon. Mr. EULER: What is your opinion, if President Eisenhower is in favour of removing some of these restrictions, in your opinion, could he carry the Congress with him?

Mr. CRUIKSHANK: There is a big job to be done now. The opinion of men with whom I spoke when I was in New York last, was that the President is very anxious to bring it along in a friendly way. He does not want to start a battle. He is trying by education to get the United States to realize they have not gone along with GATT as they should have done.

Hon. Mr. EULER: But they are going farther, by placing obstacles in the way of dairy production. I understand they want to go farther than that.

Mr. CRUIKSHANK: That is the opinion in the United States.

Hon. Mr. LAMBERT: We will not have it officially settled for another year yet?

Mr. CRUIKSHANK: That is right.

Hon. Mr. LAMBERT: Apart from the political factor, what is your view from an economic point of view, if countries such as Canada and the United States were to arrange a tariff structure which would attempt to reduce them, shall we say, even to the point of very low degree; in other words, to admit British goods into this country: Would that, in your opinion, meet the situation?

Mr. CRUIKSHANK: I do not think I have to express an opinion as a representative of the International Chamber. My personal opinion might be different from the Committee's opinion, or the Chamber's opinion. I would hesitate at a Committee meeting like this to give a definite opinion myself on that problem.

Hon. Mr. LAMBERT: The whole thing seems simple enough. It is the process of inflation in the United Kingdom, and they are complaining now we are not buying enough of their stuff. Could they sell them here at a price which would be acceptable to our people, even if the tariff were low enough to admit their goods?

Mr. CRUIKSHANK: The goods are coming in now—lots of them—

Hon. Mr. LAMBERT: I do not know. You see quite a number of British cars around.

Mr. CRUIKSHANK: They are importing lots of British cars into the United States today.

Hon. Mr. LAMBERT: You will see a variety of them around, but in my humble opinion they are not as good as they were a few years ago.

Mr. CRUIKSHANK: In New York, the automobile show was just filled with British cars.

Hon. Mr. LAMBERT: That does not change the monetary system very completely. In other words, it is your gab between the dollars and pounds, which continues without much variation, despite the fact that a great deal is being imported already.

Hon. Mr. CAMPBELL: Mr. Cruikshank, have you ever had any illustration put before your Committee, which would indicate that the tariff itself is too high against British goods coming into Canada and the United States?

Mr. CRUIKSHANK: I do not think so. Not that I know of.

Hon. Mr. CAMPBELL: Are you free to express an opinion as to whether these tariffs are too high or not?

Mr. CRUIKSHANK: The Canadian tariff against Great Britain?

Hon. Mr. CAMPBELL: Yes.

Mr. CRUIKSHANK: Are they too high?

Hon. Mr. CAMPBELL: Yes.

Mr. CRUIKSHANK: I would think so.

Hon. Mr. CAMPBELL: That is your personal opinion, of course.

Mr. CRUIKSHANK: Yes.

Mr. NELLES: One thing I might add with respect to the Chamber's policy in regard to these special restrictions. It is not only a matter of tariffs. One of the main things the Chamber has been harping on for a number of years is the method by which goods are valued in Customs. In some of the GATT agreements, tariffs may have been equalized in certain cases, but, when the goods appear in the Customs House, the Customs officials classify the goods in such a way as to minimize any reduction of the tariff.

Hon. Mr. EULER: They classify them when the goods come in?

Mr. NELLES: Yes.

Hon. Mr. EULER: And two or three months after the goods have gone into consumption, they demand a higher rate of duty?

Mr. NELLES: Yes.

Hon. Mr. TURGEON: Is that criticism confined to the United States?

Mr. NELLES: Not by any means. I think we have all heard of examples of such situations here. Since the Tariff Act was laid down, the manufacture of goods has changed so radically that many goods which come in can be classified under a dozen different headings.

Mr. CRUIKSHANK: The International Chamber of Commerce has been studying that right along.

The CHAIRMAN: Senator Pirie, you have been studying world trade. Have you any comment to make?

Hon. Mr. PIRIE: I have had a little experience with South American countries, and I find we ran up against a stone wall in getting prices which are legitimate in Canada, and that the Foreign Exchange people are getting into the same market. They will take pounds and Sterling. For instance, the Dutch, the Danes, and the Irish, the Scotchman, and England. They will all get the same commodity in which I am interested, buying it with pounds, except Sterling, and one we try to bring the Sterling back up, and convert it, we are up against a stone wall. We just cannot do it.

The CHAIRMAN: I think that is what every world trader finds today.

Hon. Mr. HUSHION: When you sell them, do you take payment in Sterling or pounds.

Hon. Mr. PIRIE: No. We have not done that.

Hon. Mr. HUSHION: Do you sell them for American dollars?

Hon. Mr. PIRIE: We quote in American dollars.

Hon. Mr. HUSHION: But you get paid in pounds?

Hon. Mr. PIRIE: No; that is the way they want to pay us. In order for us to compete with a country which will accept pounds—well, we just cannot do it. The price is much lower. We have such a high standard of living here that we just cannot get the business on a competitive basis, considering the pound sterling question.

Hon. Mr. HUSHION: I was thinking of Senator Paterson's statement in regard to bringing in automobiles and these filing cabinets. These are commodities we know very well. With our high standard of living, I do know what will happen here. I know our shipping is very much higher than the Greeks or the Italians. How will you compete with them, in regard to Canadian shipping? We have our boats upon which our men are paid three or four times what is paid elsewhere. I think it was even higher than that at one time. If we reduce that, we will have strikes, and every other blessed thing to contend with. I believe we are too high in some cases, and probably adjustments could be made, but we just cannot say we will take a boat for what the Greeks are paying, or what some of the other low-paying countries are spending. I do not see how you can do that.

Hon. Mr. PATERSON: I think that is the whole trouble. I was going to ask the Chairman if I might ask the Witness one question.

The CHAIRMAN: Certainly, Senator Paterson.

Hon. Mr. PATERSON: The Marshall Plan was for the purpose of raising the standard of living; the Colombo Plan for the same reason; the International Bank for the same purpose. Does the International Chamber of Commerce feel these three have accomplished something? It must have been discussed.

Mr. CRUIKSHANK: I think so, yes—most decidedly so. In our brief you will see that we say co-ordinated funds should be set up for world convertibility control, and not these individual controls which have been established by these various bodies.

Hon. Mr. PATERSON: In regard to Senator Hushion's remark; we find that conditions in regard to shipping in Canada are very much worse than the United States, where costs are a good deal higher. Senator Hushion says it would cost us about \$400 to run one of our ten thousand ton ships, whereas it cost the Americans from ten thousand to fifteen thousand dollars.

The CHAIRMAN: Are they subsidized?

Hon. Mr. PATERSON: When they say our shipments must go in American boats, what else can we do? We have to do that to keep our boats afloat.

The CHAIRMAN: It is elementary that nations must have ships.

Hon. Mr. PATERSON: That is economics, Mr. Chairman; it is not free trade.

The CHAIRMAN: It is bad to put the ships of Canada, or any other free nation, out of business.

Hon. Mr. PATERSON: You have a big problem right there, one which you cannot settle in a day.

Hon. Mr. LAMBERT: Mr. Cruikshank said a moment ago that the International Chamber of Commerce was favourable to world control, and some statement that we had to deal with the whole problem of the free world. How far do you feel the present International Bank and monetary fund is a move in the right direction? How far do they fulfill your idea of a central control agency?

Mr. CRUIKSHANK: There was a meeting held in Mexico recently, and our representative came back, and we had a very interesting talk from him on

that theory. He was full of it, and was very enthusiastic about it. But as far as any definite action is concerned, I do not think any has been taken as yet. We are having a world conference in Vienna next month, and thirty Canadians will be going over to that Conference, and that is one of the questions which will come up.

Hon. Mr. LAMBERT: Has your Chamber committed itself to such world control?

Mr. NELLES: The Chamber does definitely approve of such institutions as the Monetary Fund, the World Bank, and so on. We do say, however, that the functions of some of these institutions were not sufficient to cope with the whole problem today; therefore, it is suggested that some means of converting funds be found as a way of getting quicker action.

The Chamber in the past, in our discussions, has found it obvious that the International Monetary Fund has not operated as it was intended to operate. For instance, as we have heard, it has not used its fund of three billion dollars. So we definitely do advocate co-ordinated control of all these things. Some method would have to be established of dealing with your special problems. But all the problems of convertibility are general now and the solutions will have to be co-ordinated.

Hon. Mr. LAMBERT: You want to see some kind of an organization which will certainly attempt to control this world situation?

Mr. NELLES: I would like to see the existing institutions do their jobs better.

Hon. Mr. LAMBERT: How will you do that?

Mr. NELLES: I think it has come to a point where we should have an entirely new approach to the existing institutions to deal with these things. These convertibility funds would be still under the control of national governments, and I think the governments should consult amongst themselves in regard to their use.

Hon. Mr. LAMBERT: That is where they all start; The Monetary Fund, and the International Bank was worked out at Breton Woods by representatives of the national governments, and they were set up for the purpose of handling this very problem, which now most people would say has not been satisfactorily dealt with.

Mr. NELLES: The difficulty in working out a perfect economic world is complicated by the policies of governments, sometimes by national ambitions and the personal ambitions of dictators.

Hon. Mr. PIRIE: Mr. Chairman, I would like to point out an illustrative case. Last fall we tendered on a one million dollar order for Uruguay. The reason they asked this country to tender was because we have a particular commodity they could not buy in certain other countries, and we might have had a little preference from that standpoint.

We received the order, and we were obliged to put up a \$100,000 deposit with this Uruguan government on that perishable article. We had to go into the market to get a certain class of ship that they required, what are known as "Reefer" ships and they even specified the particular line. Just imagine the risk and the hazards involved. They gave you a certain time limit to deliver the goods C.I.F., Uruguay. I think it is one of the worst pieces of business into which a person can possibly enter. I do not know of any other way, if you want the business, that you can get around it. Uruguay will tell you just exactly what you have to do, and if they accept your tender, then you have to go into the market to get the ships. The shipping companies, knowing that, have you "right over the barrel".

Hon. Mr. HUSHON: They would not do that, surely?

Hon. Mr. PIRIE: No? If any means can be devised whereby we can find some relief, or some other method of exporting these goods, it will be welcomed.

They came back after we completed this order, and wanted to buy ten thousand tons more of these perishable goods, and we tendered for it again taking another risk, but they finally came back and said, "We are buying the goods in Denmark, where they will accept pounds". They said, "If you will accept pounds, we will entertain the order", but they finally did buy the goods from Denmark.

Hon. Mr. LAMBERT: Did you lose the \$100,000?

Hon. Mr. PIRIE: No, but it was a terrific risk. I would not want to have it for a steady diet.

Mr. NELLES: That is another problem which the International Chamber has been working on, and we drew up a report some time ago urging the governments not to force their traders to transport goods in ships of a government's choice. I think there is a copy of that in the hands of the Chairman, but if other honourable senators would like to see it, I would be glad to send copies down.

Hon. Mr. PIRIE: I would be very happy to have it.

Mr. NELLES: I left some copies of the reports we have referred to with the Chairman. They give information in more detail than the brief and, if any further copies are desired, they can be sent from Montreal.

The CHAIRMAN: Are there any other honourable senators who would like to ask any questions? These gentlemen are here. If not, I feel I can speak on behalf of the Committee in saying we have enjoyed having you with us very much. You have given us a great deal of information, and we thank you very kindly for coming here. We appreciate your taking your time to come here and help us on with our work.

Whereupon the Committee adjourned until Thursday, April 23, 1953, at 10.30 o'clock a.m.

